

**Statement of Mr. Gregory O. Principato
On Behalf Of
Airports Council International-North America
and The American Association of Airport Executives
Before the Senate Commerce Committee
Aviation Passenger Screening Oversight Hearing
April 4, 2006**

Thank you for the opportunity to share with the Committee the views of the airport community on aviation passenger and baggage screening. I am Greg Principato, President of Airports Council International – North America (ACI-NA). I am testifying today on behalf of ACI-NA, the American Association of Airport Executives (AAAE), and our Airport Legislative Alliance, a joint legislative advocacy organization. ACI-NA represents local, regional and state governing bodies that own and operate commercial airports in the United States and Canada. AAAE represents the men and women who manage primary, commercial service, reliever, and general aviation airports.

I want to thank you Chairman Stevens and Co-Chairman Inouye, for holding this series of hearings on the responsibilities, operations and priorities of the Transportation Security Administration (TSA) in aviation passenger and baggage screening.

Since the TSA's creation, airports have striven to be an active partner with the TSA in meeting its mandates and its mission. We look forward to continuing our work with the TSA and with this Committee to ensure we have the highest level of security as well as high levels of customer service for the traveling public.

As the members of this Committee are well aware, passengers have returned to our nation's skies in record numbers. The increased volume combined with problems inherent in today's labor intensive screening system have pushed the TSA's passenger and baggage screening capabilities to the limit as evidenced by ever increasing wait times at passenger screening checkpoints and by growing problems with checked baggage screening. Without dramatic changes to the aviation security model in use today, we will not be able to meet the demands created by the nearly 300 million passengers who will be added to today's already crowded aviation system within the next decade.

Technological Improvements Needed To Move Beyond Labor Intensive Screening System

Airports maintain that one of the most important ways to improve passenger and baggage screening is to move oversized, bulky explosive detection equipment out of public circulation areas in passenger terminal lobbies to restore capacity in existing terminal facilities and to increase public safety and security. To the extent the Federal government invests in in-line baggage-screening equipment, TSA's operating costs will be reduced and airlines will see improved baggage services for their passengers through reduced lost and mishandled luggage.

In order to meet congressional deadlines to screen all checked baggage placed aboard commercial aircraft, TSA quickly placed thousands of explosive detection system (EDS) and explosive trace detection (ETD) machines in airports across the country. Many of those machines have been placed in airport ticketing lobbies without an integrated plan to take maximum advantage of their certified throughputs and alarm reconciliation capabilities. The result, too often, is crowded

airport lobbies (a safety and security hazard), major backups at security screening checkpoints, and an unnecessarily large number of TSA personnel necessary to operate the equipment.

The airport community, backed by a recommendation of the 9/11 Commission, continues to believe that TSA can enhance aviation security and restore capacity in existing terminal facilities by quickly moving forward with the permanent installation of in-line explosive detection equipment in airports. ACI-NA would note that the Canadian Air Transportation Security Authority (CATSA), working with airport operators, has already paid for the installation and is now operating in-line baggage screening at all major Canadian airports. Unfortunately, the fiscal year 2007 TSA budget calls for only \$344 million for EDS installation funding. While this is an increase of \$49 million from the 2006 enacted level, it falls far short of the billions of additional dollars that are necessary to fully integrate EDS machines in-line with baggage systems at airports where such a solution makes sense, and regrettably provides little new money for converting existing, inefficient systems.

To date, only a handful of U.S. airports have received federal funding for in-line systems. Nine airports – Atlanta, Boston, Dallas/Fort Worth, Denver, Las Vegas, Los Angeles/Ontario, Phoenix, and Seattle – have received funds for in-line EDS installation from the TSA’s Letter of Intent (LOI) program and a few additional airports, including Chicago O’Hare and Harrisburg, have received funding from TSA via Other Transactional Agreements (OTAs).

Airports contend that the cost of in-line projects should be met entirely by the federal government, given its direct responsibility for baggage screening established in law, in light of the national security imperative for doing so, and because of the economic efficiencies of this strategy. Airports have agreed to provide a local match of 10 percent in the case of large and medium hubs and five percent for smaller airports. However, the budget request once again includes a provision that would reduce the federal share under any Letter of Intent to 75 percent at medium or large hub airports and 90 percent at all other airports. We strongly oppose proposals to increase the local share beyond the levels established in VISION-100.

Of the \$344 million that TSA proposes in the 2007 budget for EDS installment, \$187 million is slated to fulfill existing LOI obligations. While the projects at those airports are necessary and a top priority, that leaves just \$157 million for the dozens of other airports that do not currently have LOIs with the TSA. Although TSA has not yet determined the total cost of installing in-line EDS baggage screening systems at airports, we estimate that costs could range from \$2 million for a category III airport to \$250 million for a category X airport. Nationwide, estimates run anywhere from \$3 billion to \$5 billion. That estimate is being revised upward, as construction costs have skyrocketed recently. In fact, construction cost inflation is now triple the consumer price index.

Despite these overwhelming needs, the federal government does not yet have a long-term EDS solution, a full four and a half years after 9/11. It is readily apparent that incremental installments, even at several hundred million dollars a year, will not get projects started at additional airports in the foreseeable future. Clearly, more resources and new strategies are needed to fund projects at the rest of the nation’s airports.

The TSA’s task has not been made any easier by opposition from the Office of Management and Budget to issuing additional LOIs to airports for these projects. Budget rules that don’t recognize the benefit of one-time capital improvements to save years of operating costs are both “pennywise and pound foolish” and continue to shortchange vital security improvements.

The federal government cannot allow this issue to go unaddressed another year. To help find a solution to this persistent problem, airports, airlines and other industry stakeholders are collaborating with TSA on a baggage screening investment study, expected to be completed in the next few months. The study seeks to identify innovative funding and financing alternatives for integrated EDS/out of lobby solutions for baggage systems. We welcome this study and look forward to the results which should provide TSA and airports with creative solutions to this problem.

In-Line Systems Enhance Efficiency And Reduce Personnel Costs

Although in-line systems require up-front capital expenditures, they pay for themselves in short-order through major reductions in personnel and recouped costs. Last year, the Government Accountability Office (GAO) concluded that in-line baggage screening systems at the nine airports that have received LOI funds from TSA would save the federal government \$1.3 billion over seven years compared with EDS systems that are not in-line. To support GAO's findings, we have examples at the dozen or so airports where EDS systems have been installed to take advantage of their full capabilities and, as a result, dramatic savings have been achieved.

The airports that currently have "in-line" baggage systems report that they have paid for themselves with personnel cost reductions in as little as 16 months. The case of the Lexington Blue-Grass Airport in Kentucky offers a perfect example. At Lexington, a \$3.5 million investment to make the terminal modifications necessary to establish an in-line baggage system instead of a terminal lobby ETD protocol resulted in annual personnel savings of more than \$3 million. The TSA has been able to use four screeners for the in-line system per shift rather than the 30 screeners that would have been necessary for the ETD configuration. In addition, the in-line EDS option at Lexington allows for reduced congestion in terminal areas, a result that has improved security and enhanced passenger convenience. TSA can achieve greater savings at large airports. Modeling at San Francisco International Airport, for example, shows savings of tens of millions of dollars annually for their in-line EDS solution.

In addition, in-line screening has also been shown to reduce the rate of TSA screener on-the-job injuries. TSA Administrator Kip Hawley testified last month that he expects the agency to spend \$57 million on workers compensation claims in 2007. By moving equipment in-line, fewer personnel would be needed resulting in fewer injuries and less time off the job, all of which contribute to savings for the TSA.

Registered Traveler

As we have discussed in great detail as part of previous testimony before the Committee on TSA passenger pre-screening programs, the airport community believes a Registered Traveler program can more effectively calibrate the resource allocation at airport screening checkpoints. Relatively few passengers make up the overwhelming majority of all travel, and we should make every effort to provide a different screening protocol for this group of travelers. Doing so will help expedite the screening process for all travelers and allow screeners to focus more intensely on unknown and potential threats. It is our hope that TSA will meet the deadlines the agency has announced to have an effective Registered Traveler program operational by this summer.

Short Term Steps Need To Improve Screening

Recognizing that Registered Traveler has yet to be deployed nationwide and that EDS technologies will not be available immediately, Congress and TSA should consider taking steps to improve passenger and baggage screening in the short-term. These options include:

- Expansion of the Screening Partnership Program (opt-out) so that it becomes a real alternative for airports.
- Providing Federal Security Directors more autonomy to work with airports to address unique local situations relative to screening.
- Adoption of screening performance standards so that TSA can more effectively manage limited resources.
- Keeping TSA focused on its mission of passenger and baggage screening including the continued staffing of exit lanes.

Making the Screening Partnership Program a Viable Option for Airports

While there are a number of airports that are not interested in participating in the Screening Partnership Program under any circumstances, there are others that would like to see the program become a viable option. Unfortunately, the role of local airport operators in the existing program is minimal. The only real authority that an airport operator now has is to raise the issue at the beginning of the process and express an interest in having TSA use a private contractor. After that, airports have virtually no say in how screening operations will be designed. They are not allowed to decide the specific qualified screening company that will operate at their airport, and they have no role in deciding how screening will ultimately function at their facility. Given the existing construct, it is not surprising that only a couple of smaller airports have expressed an interest in opting out beyond the original five SPP pilot airports.

In order to make the opt-out program truly viable, the law must be changed to give airports additional control over the design and implementation of plans for passenger and baggage screening at their individual facilities. Airports must be free, should they so choose, to select and contract directly with the qualified companies with which they intend to work and establish the scope of work rather than wait for TSA to make such decisions. TSA should remain responsible for establishing standards and providing regulatory oversight, but airports should be given the freedom to decide how best to get the job done. We believe that TSA is best suited for regulatory functions while airport operators and their private sector partners are best suited for operational and customer service functions.

Many of these items obviously require statutory changes. As Congress moves forward with its discussion in this area, we would encourage you to consider the following:

- **Airport operators must be given the authority to select and enter into contracts directly with qualified screening companies to screen passengers and property at the airport.** Under current law, airports simply apply to participate in the program and then rely on TSA to select qualified vendors. TSA – as opposed to airports – enters into contracts with those vendors to perform passenger and baggage screening. Airports must be given a more prominent role in the process and more control in managing the contracts and performance.

- **Airport operators must be given the ability to perform passenger and baggage screening directly if they so choose.** The law must make clear that airport operators should be able to qualify as a qualified screening company.
- **TSA should establish a notification process under which airports submit a detailed proposal for passenger and baggage screening for approval.** Under current law, interested airports apply to participate and the process moves on from there without their involvement. Interested airports should be encouraged to work closely with qualified private sector partners and then submit that plan to TSA for approval.
- **Adequate funding must be provided to ensure that airports can cover the costs associated with screening and debt service on security-related capital improvements such as in-line EDS projects.**
- **The program should be expanded to allow interested airports to assume responsibility for screening cargo in addition to passengers and baggage screening.**

This is not intended to be a comprehensive and final list, but it is included for purposes of moving the discussion forward and to give the Committee an idea of some of the specific concerns that a number of airport operators have raised as impediments to participation. If some of these items were to be resolved, we believe that many airports would at minimum give the program a much closer look.

In addition to encouraging additional local involvement and new and creative approaches to screening, an expanded SPP program potentially could be utilized to move forward with the in-line installation of EDS equipment at participating airports. By providing interested airport operators with additional control and a steady and reliable funding stream – either by guaranteeing a base level of continued funding to support screening operations or by alternative means such as a formula that captures key airport characteristics such as passengers and amount of baggage screened – some airports might be willing to move forward on their own with in-line systems. The concept here is to capture and utilize the eventual personnel savings from in-line systems to pay for the initial capital investment and debt that a participating airport would use to fund that system.

Again, even if Congress is able to make all of the changes highlighted here, there are a number of airports across the country that will not be interested in participating in the SPP. For that reason, it is imperative that TSA be encouraged to be innovative, creative, flexible, and inclusive in its approach to screening regardless of the type of employee who ultimately screens the passenger or their baggage. The keys are local flexibility, airport involvement, and tough security standards that all organizational models are compelled to meet.

Local Flexibility Critical in Addressing Short-Term Problems With Screening

TSA continues to struggle with recruiting, assessing, hiring, training, and retaining screeners – a fact that is evidenced by large vacancy rates at a number of airports across the country. In Oakland, for example, it is my understanding that the vacancy rate stands at 25 percent, and there are other airports that report similar problems with filling screener staff positions. The problems are exacerbated by high attrition rates for screeners

In many instances, the strict rigidity of TSA in its hiring and staffing practices seems to be the source of current problems. A number of airports report that many issues could be resolved through more flexible staffing schedules or through the use of additional part-time workers, for example. Unfortunately, there does not yet appear to be sufficient flexibility locally to tackle problems that are inherently local in nature. TSA has made some progress in this area, but we still have a long way to go.

As is the case in so many areas relating to security, one size does not fit all. The challenges in Anchorage with regard to hiring, placing, and maintaining screeners are not the same as they are in Honolulu, Billings, or Los Angeles. Each of these locations has unique local labor markets, unique balances between local and connecting traffic, unique seasonal traffic patterns, unique airport configurations, and so on down the list. To be effective, responsiveness to local airport operational characteristics must be the guiding criterion for the hiring and management of workforces.

TSA Performance Standards

Beyond additional local flexibility, we believe that it is critical that the agency establish measures and performance standards for passenger processing. While the 10-minute goal established initially by Department of Transportation Secretary Mineta may not be exactly the right standard, it is clear that a reasonable goal must be established and that the TSA and the full array of passenger and cargo processing personnel employed by the federal government must be held accountable for meeting such goals. We have goals holding the airlines accountable for meeting their schedules; it is only appropriate and right that we do the same with the federal workforce. Only by setting a standard can TSA and airport managers know that the workforce size and deployment model for their airport is the appropriate one.

Focusing on TSA's Core Mission

Given the enormous task that TSA has been given to ensure the security of the nation's transportation system, the agency must rely on its airport partners to continue performing important functions that we have successfully performed for decades such as perimeter security and access control. Airports are organizations owned and operated by state and local governments and, therefore, have the necessary and appropriate incentives to perform security responsibilities at the highest levels. The primary mission of an airport is to establish and maintain a safe and secure environment for travelers and the general public and to serve the community and the national aviation system by encouraging competitive air service. Airports have always been responsible for the safety and security of their facilities and the people who use them, and this will continue to be so.

Despite those facts, we continue to see efforts to expand TSA's mission into areas traditionally performed by airport operators and to expand the regulatory enforcement personnel at airports. This creates a natural conflict of interest by giving a single entity operational and oversight responsibilities. Clearly, there are a number of ways to better utilize limited TSA resources. Our members have been pursuing every opportunity to refine and improve our working relationship with TSA to avoid duplication and to develop more productive working relationships, and we will continue to do so. We firmly believe that these efforts will ensure that limited TSA resources are reserved for other priorities.

Exit Lanes Should Remain TSA's Responsibility

One of the priorities that airport operators believe that TSA must continue to focus on is the monitoring of screening checkpoint exit lanes after checkpoint screening activities cease and the monitoring of exit areas that are located away from the screening checkpoint. Unfortunately, TSA has recently undertaken efforts to shift those responsibilities to airports.

TSA has repeatedly cited budget constraints as further justification for shifting this responsibility to airports. We understand the resource crunch facing the agency, and we are all struggling to do more with less. However, TSA has not in any of its presentations on the screener allocation model shown how abdicating its responsibility at the exit areas will help to meet staffing demands at the security checkpoint. Rather, it appears that TSA is choosing to interpret its responsibilities in the airport environment according to what is convenient given today's budget resources. This sets a worrisome precedent and makes us question the consistency of TSA's policy going forward as budgets ebb and flow from year to year.

Monitoring the exit areas after the security screening checkpoint operations cease and at all times at exit areas not co-located to the security screening checkpoint represents a major operational change in the airport environment. It also represents a significant non-budgeted expense that airports must address in the middle of the fiscal year. Yet, TSA chose to announce this major operational change through an action memo without any comment period and with a deadline of only 90 days. To execute such a major and unprecedented operational change, TSA should have issued a proposed amendment the Airport Security Program or a Security Directive. This would have allowed airport operators to have a formal review and comment period.

We oppose this proposed change in policy and hope that the Congress will prevent TSA from abdicating its responsibilities in this area.

Proposed Cuts to AIP Will Impact Ability of Airports to Address Security, Safety, Capacity

I also want to briefly mention the impact the Administration's 2007 budget request will have on airport capital improvements and operations. As this Committee is well aware, the Administration has proposed significant cuts to the Airport Improvement Program (AIP). The proposed \$2.75 billion level is \$765 million below the fiscal year 2006 funding level and nearly \$1 billion below the 2007 authorized level. This proposed cut represents the largest percentage cut in the entire federal budget. In addition we are concerned that the Administration's budget calls for funding FAA air traffic control modernization programs significantly below the authorized level, and cuts funding for programs aimed at providing service to smaller communities.

While the FAA budget is not the topic of today's hearing, the proposed cuts in AIP will have a profound impact on the ability of airports to address ongoing safety, capacity, and eligible security needs. In addition, at a time when congestion is returning to our airports and our skies, a reduction of airports' authorized share of the Airport and Airways Trust Fund is ill-advised.

In addition to reducing the amount of discretionary funding available to FAA for high-priority projects, funding AIP at the President's requested level of \$2.75 billion would have a significant impact on the amount of entitlement funds flowing to individual airports across the country. Under current law, a number of AIP formula changes are contingent upon AIP being funded at a minimum of \$3.2 billion. Funding at levels below \$3.2 billion would:

Reduce Funding to Commercial Service Airports: Under current law, primary airports – those airports with more than 10,000 annual passenger enplanements – receive an AIP entitlement based on the number of enplaned passengers they have in a given year with a minimum entitlement of \$650,000. When AIP is funded at \$3.2 billion or higher – as has been the case since FY 2002 – those entitlements double and the minimum entitlement is increased to \$1 million. Unless AIP is funded at a minimum of \$3.2 billion in FY 2007, entitlements to primary airports could effectively be cut in half from fiscal year 2006 levels and the minimum entitlement paid to nearly 200 airports across the country could be reduced from \$1 million to \$650,000.

Reduce Funding to Small Commercial and Non-Commercial Airports: Current law also provides grants of up to \$150,000 to smaller, non-primary airports in years where the program is funded at \$3.2 billion or higher. In FY 2006, more than 2,700 airports received funding under this entitlement. Funding AIP at \$2.75 billion would result in the elimination of the non-primary entitlement in FY 2007. Additionally, the pool of funding for smaller airports through the Small Airport Fund would be reduced by more than \$150 million. The total amount apportioned to states for use at non-primary commercial service, general aviation, and reliever airports also falls from 20 percent of the total AIP funding level to 18.5 percent of total funds below \$3.2 billion. Certain airports in Alaska that receive a separate entitlement would also be affected by a reduction below \$3.2 billion.

With passenger traffic approaching record levels, airports throughout the country simply cannot sustain almost a \$1 billion reduction in AIP from authorized levels.

Conclusion

Again, I'd like to thank the Chairmen and this Committee for the opportunity to appear before you today. I have highlighted how the airport community believes limited TSA resources can be leveraged to produce enhanced security and better results for America's taxpayers and the traveling public. We look forward to working with you and the TSA to ensure that our nation's aviation system is the most secure and efficient in the world.